

## Message Text

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PAGE 01 ADDIS 01558 041035Z  
ACTION AF-10

INFO OCT-01 ISO-00 EB-08 L-03 AID-05 TRSE-00 COME-00  
CIAE-00 INR-10 NSAE-00 DODE-00 SP-02 IO-13 NSCE-00  
OMB-01 STR-07 SS-15 INRE-00 SSO-00 /075 W  
-----098833 041043Z /23

O 041002Z APR 78  
FM AMEMBASSY ADDIS ABABA  
TO SECSTATE WASHDC IMMEDIATE 7926

C O N F I D E N T I A L ADDIS ABABA 1558

FOR RICHARD MOOSE, AF, AND GOLER BUTCHER AA/AFR

E.O. 11652: GDS  
TAGS: EAID, ET  
SUBJ: IMPLICATIONS OF U.S. ACTION ON EXPROPRIATIONS

REF: A. STATE 085785, B. ADDIS ABABA 1398

SUMMARY: EMB/USAID WISH TO POINT OUT CLEAR, FAR-  
REACHING IMPLICATIONS OF POLICY SPELLED OUT REGARDING  
COMPENSATION OF U.S. INVESTMENTS IN ETHIOPIA WHICH ARE OF  
RELATIVELY SMALL VALUE. WHILE INTENT IS TO BRING ABOUT  
PROGRESS ON COMPENSATION, REALITIES OF SITUATION WILL MEAN  
EFFECTIVE END TO U.S. AID PROGRAM IN ETHIOPIA AND RESULT WILL  
NOT BE CONSISTENT WITH POSITION TAKEN BY DAVID AARON WITH  
ETHIOPIAN GOVT (PMGSE). END SUMMARY.

1. POLICY SPELLED OUT REF (A), ESPECIALLY TOWARDS  
AUTHORIZATION PENDING FY 78 AID PROJECTS (SOUTHERN GEMU  
GOFA PHASE II, MICRO-REGIONAL RURAL DEVELOPMENT, POPULATION,  
INSTITUTE OF MANAGEMENT AND TRAINING, NON-FORMAL EDUCATION,  
AND AGRICULTURAL SECTOR GRANT), IN EFFECT CLOSES  
OUT U.S. AID PROGRAM IN ETHIOPIA. WHILE ITENT OF  
DECISIONS IS TO BRING ABOUT PROGRESS IN COMPENSATION  
NEGOTIATIONS, U.S. INFLUENCE IS SIMPLY NOT GREAT ENOUGH  
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TO DO SO IN THE TIME IN WHICH THESE PENDING AID PROJECTS  
WOULD BE READY FOR AUTHORIZATION. THUS IMPLICATION IS  
ALMOST CERTAINLY TO ELIMINATE POTENTIAL FOR OFFERING  
U.S. ECONOMIC ASSISTANCE TO ETHIOPIA FOR BALANCE FY 78  
AND POSSIBLY FOR FY 79.

2. EMB/USAID CALL PARTICULAR ATTENTION TO PARA 2,

REF (A), STATING THAT FY 78 AID PROJECTS QUOTE WILL NOT BE AUTHORIZED UNTIL ACTIVE NEGOTIATIONS WITH SIGNIFICANT PROGRESS TOWARD RESOLUTION OF OUTSTANDING EXPROPRIATIONS CLAIMS OCCURS END QUOTE. WE DO NOT SEE QUOTE SIGNIFICANT END QUOTE PROGRESS OF THIS DEGREE IN NEAR FUTURE, I.E., EVEN DURING BALANCE FY 78. PMGSE CAUGHT UP IN MANY OTHER ISSUES, E.G., OGADEN, ERITREA, DJIBOUTI, ETC. COMPENSATION ISSUE ITSELF TIED UP WITH SPECIAL PROBELSM REGARDING DOMESTIC AND ITALIAN CLAIM OF MUCH GREATER MAGNITUDE THAN AMERICAN ONES, AS WELL AS STILL-UNSETTLED ECONOMIC POLICY TOWARD WEST.

3. WE BELIEVE, WITH IBRD, THAT PROGRESS WILL BE SLOW AND THAT SMALLER, MORE DISCRETE STEPS THAN QUOTE SIGNIFICANT PROGRESS TOWARD RESOLUTION OUTSTANDING...CLAIMS UNQUOTE IS BEST THAT CAN BE HOPED FOR IN COMING MONTHS. WE CONTINUE TO BELIEVE, AS STATED REF (B) THAT PROGRESS ON EXPROPRIATION CLAIMS LIKELY BE ACHIEVED BY HAVING IBRD, ITALIANS -- WHO ARE SENDING ECONOMIC MISSION SOON -- AND PERHAPS OTHERS TAKE LEAD, RATHER THAN U.S. AMERICAN CLAIMS ARE RELATIVELY SMALL COMPARED TO THOSE OF OTHER COUNTRIES, AND OTHER COUNTRIES PREPARED TO PRESS ISSUE FAIRLY STRONGLY FROM WHICH U.S. CAN ONLY BENEFIT. U.S. LEVERAGE MIGHT ALSO BE BROUGHT TO BEAR SUCCESSFULLY IN CIRCUMSTANCES OF COMMERCIAL NATURE WHERE PMGSE MAY HAVE SPECIAL INTERESTS IN U.S. PRODUCTS, E.G., ETHIOPIAN AIRLINES INTEREST IN  
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EX IM LOAN FOR NEW BOEING JETS. QUIET BUT FIRM PRESSURE IN THAT CONTEXT MAY PROVE HELPFUL. ON OTHER HAND, U.S. LEADERSHIP ON THIS ISSUE IN INTERNATIONAL FORA, AND ESPECIALLY THREATENED WITHDRAWAL OR DELAY ALL U.S. AID PROJECTS WILL RAISE FURTHER SUSPICION IN PMGSE ABOUT U.S. MOTIVES, GIVEN SENSITIVITY IN RELATIONS ALREADY OVER OGADEN, SOVIET-CUBAN PRESENCE, ETC.

4. WE NOTE IN THIS REGARD THAT EXPROPRIATIONS ISSUE WAS PURPOSELY NOT RPT NOT RAISED BY AARON MISSION AS PROBLEM IN U.S. BILATERAL RELATIONS WITH ETHIOPIA. AT SAME TIME, AARON REITERATED U.S. READINESS OFFER ECONOMIC ASSISTANCE. HENCE, STRONG U.S. POSITION ON WITHHOLDING ALL FUTURE ASSISTANCE AS STATED PARA 2 REF (A) WILL BE SEEN BY PMGSE, RIGHTLY OR WRONGLY, AS CHANGE IN U.S. POLICY TOWARD ETHIOPIA SINCE AARON MISSION. ALTHOUGH WE DO NOT FEEL DECISION TO ABSTAIN ON IDA GRAIN STORAGE LOAN SERVES U.S. INTEREST, WE WILL GRANT THAT ABSTENTION IN ITSELF--WITHOUT OTHER FOLLOW-UP ACTIONS PROPOSED REF (A)-- DOES NOT MEAN END TO USAID PROGRAM.

5. EMB/USAID REQUESTS POLICY-LEVEL REVIEW THIS MATTER  
PRIOR TO U.S. ACTION DIRECTED BY REF (A).  
MATHERON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, COMPENSATION, NATIONALIZATION  
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**Decaption Date:** 01 jan 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
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